Michigan Agri-Business Association

www.miagbiz.org

1501 North Shore Drive, Suite A
East Lansing, Michigan 48823

Telephone (517) 336-0223
Fax (517) 336-0227

Tuesday, March 25, 2014

To: Chairman Nofs and members of the Senate Energy and Technology Committee

Testimony from Jim Byrum, president of the Michigan Agri-Business Association (MABA)

Energy issues have been a top priority for our board and we thank you for taking up this important issue.

Agriculture is one of Michigan's biggest industries, and energy prices are one of the biggest costs of doing business. The fact that Michigan has the highest electricity rates in the Midwest has significant impacts on our industry. I have testified previously on how modern agricultural businesses are requiring more electricity and natural gas as they grow. This is amplified by the fact that they are frequently located at the end of the line for utility services.

A new study released last week by Colorado State University shows Michigan lagging behind many other states when it comes to reliable, affordable supplies of energy to power farms, processing facilities and agribusinesses. This makes it even more vital that we find new ways to reduce energy consumption and explore new, on-farm alternatives for our energy needs.

Energy efficiency makes Michigan agriculture more competitive by using technology to reduce our consumption of energy and variable costs. As the result of an intervention with the Michigan Public Service Commission (MPSC), Consumers Energy is now working with Michigan's agribusinesses to implement a wide range of energy efficiency programs. MABA is interested in creating similar programs with DTE as well.

The information presented to this committee by the MPSC demonstrates the success of our current residential and industrial energy efficiency program. The utilities are exceeding their goals. For every $1 invested in energy efficiency, ratepayers save over $4 on their bills. The MPSC also found that we have a tremendous opportunity to expand energy efficiency programs and reduce energy waste.

In addition, the MPSC found that Michigan has the potential to triple its use of renewable energy. The agriculture community has a strong interest in producing its own power through distributed generation, whether through solar, wind or biodigesters. This type of generation could provide at least a portion of the annual electrical demand of businesses, especially in slower, off-peak times of the year.

Farmers also have a great opportunity to make use of distributed generation and many already have. In the future, these on-site generating stations will become increasingly cost-effective to help meet rural demand for electricity.

Agribusinesses and farms are embracing a number of renewable energy technologies:

A number of new solar technologies that are increasingly cost effective and competitive have been developed and are of increasing interest to members of the agriculture industry. Solar is particularly promising for use on farms or agricultural operations which tend to have plentiful roof space to accommodate solar panels.

Wind is another option that has some applications on farms. While large-scale wind turbines are generally not practical for an individual business or farm, smaller systems are becoming increasingly economical. There are already several of these systems in operation in rural areas. In addition, the large wind farms that are helping Michigan meet its current renewable energy standard are located in rural areas, providing economic benefits to local economies.

Technologies that convert farm or food-processing waste to gas are also becoming more common and the technology is rapidly evolving. These systems can be an efficient way to meet energy needs while reducing waste.

There are still barriers to the widespread use of these technologies in rural Michigan. One such barrier is utility company policies that discourage distributed generation. Net metering has provided a limited opportunity for distributed generation but is generally limited to small generator capacities, and the processes to connect with utilities have been cumbersome and complex.

There is tremendous potential for the Legislature to reduce energy costs and meet demand for the agriculture sector through the expansion of renewable energy and energy efficiency programs.

The agribusiness community looks forward to working with the Legislature in the weeks and months ahead to shape and drive Michigan's energy future.